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POUNDS, DOLLARS, GOLD AND SANDWICHES

by Frank Chodorov

Will England devalue the pound? Will America raise the price of gold? Is there a cause-and-effect relationship between these possibilities and how will the whole thing affect the price of your noon-day sandwich, with mustard?

It is rash to prognosticate the course of monetary matters, simply because this comes under the head of politics, and what turn politics will take must be related to what is expedient at the moment. Politics is the art of improvisation; it recognizes no principle. About all you can foretell concerning political action is that its general direction will always be toward the centralization of power.

Nevertheless, since the all-important price of sandwiches is involved in this monetary imbroglio, we cannot ignore it. Nor is speculation on the course of events too difficult; for the improvisations to which the political establishments will resort have all been tried in the past. Despite disguising nomenclature, all the tricks in the money-bag are standard, and it is reasonable to presume that they will be put to use again when deemed desirable.

II

This pound-dollar-gold-sandwich story begins with the end of the war. Britain's capital structure was badly in need of repair. The only known way of building up a store of capital -- leaving out the exploitation of subjected peoples -- is to go to work, to produce a surplus that can be put to further production.

But, the Labor Government had got itself elected on the promise of abundance without toil, and proceeded to keep this promise with socialistic measures. As no capital can come that way, and Britain's empire is no longer able to supply it, the politicians resorted to an old improvisation: pegging its medium of exchange at more than it is worth in terms of labor-products. The idea is that by raising the value of its money, by dictum, a nation can buy cheap and sell dear; a variation of the something-for-nothing ideal.

A fictitiously high value of money has two effects, one internal, the other external. With the subjects, who are compelled to accept the money at its face value, it creates a feeling of opulence. The frustration of poverty, the lack of satisfactions, is sublimated in bank

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accounts and in playing with money; that is, gambling. The lack of purchasing power is explained away as a temporary emergency caused by the war and perfidious foreigners.

In foreign trade, over-valued money has the same effect as a protectionist tariff. It keeps goods out, money in. Whatever goods do get out, on the terms of the dictum-pound, fetch more than the pound can get at home.

That's nice business, if you can get it. And for a time, while the world was in dire need of goods, Britain managed to acquire a little capital by that sell-dear-buy-cheap improvisation. But, as soon as the shortage was made up and the buyers of the world were in position to shop around, the scheme fell flat on its face. Right now, for instance, the $4 pound will not buy more goods than $3 will bring in this country.

It should be mentioned, too, that British goods are high in price not only because of the fake value of the pound but also because the socialistic production costs are high. As a source of supply, the country has simply legislated itself out of business.

What to do? Goods must get into England, for it is far from being a self-sufficient land, and imports must be paid with exports. Buyers must be attracted. The sensible thing would be to let the pound drop to its true value in terms of goods. There is no stronger magnet for customers than low prices.

But, the sensible thing is very often politically undesirable, and in the circumstances the Labor Government is resorting to the Hitler-Schacht improvisation of barter -- swapping goods for goods on a basis that circumvents the pegged pound. That is all right if you can find countries that are compelled to do business that way; as, for instance, the sterling bloc. But, there are some producers who will not take what Britain has to offer, and will sell only for money that is acceptable in more favorable markets. To get goods from these producers Britain will ultimately be compelled to revalue its pound sensibly. It's only a matter of time.

III

The devaluation of the pound should make English goods light enough in price to enable it to vault the American tariff walls. We are getting closer to the price of your noon-day sandwich, which is inevitably affected by abundance. But, this abundance, this lowering of the price of sandwiches by foreign competition, will not go well with our own protectionists, and they will call for an improvisation on this side of the Atlantic to meet the threat.

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Before we consider this improvisation, let us look to another result of the lowering of the value of the pound. The vacationist would be able to buy more or better transportation to Europe on British ships or airplanes than on American lines, while, because of the difference in living costs, the highlands of Scotland would seem so much more attractive than the Berkshires or the Rockies. Expatriation could become a popular pastime.

The conditions of the middle thirties might be on us again. For some time previous to our depression the American dollar was high as compared to foreign money, and as a result Scotch whiskey found greater favor with American drinkers than Bourbon, and California grapes found French competition difficult. It was the difference in the price of crepes suzettes that made Montmartre overshadow Greenwich Village.

It is true that the dollars drained off by importation and expatriation came back to demand more production. That should have solved the unemployment problem facing Mr. Roosevelt, but he had protectionism to cope with. So, he resorted to the make-wage improvisation, one that, as in England today, calls for a lot of money. Yes, the New Deal needed money.

Digging down in the ancient bag of tricks, Mr. Roosevelt found the "clipping of coins" -- the making of money out of nothing. Modern economics had simplified this process for him, in that all he had to do was to capriciously raise the price of gold. Overnight he made himself a "profit" of $2.8 billion. About a third of this he put into financing the New Deal, the balance into an attempt to bolster up the moneys of the world in order that they would not be so competitive with the dollar. This was the Stabilization Fund, the remains of which ultimately became our contribution to the International Monetary Fund.

IV

The lowering of the value of the pound will probably be only a collateral excuse for following in the footsteps of Mr. Roosevelt. In political matters, where expediency is all and reason is nothing, a course of action usually follows from a combination of contributory circumstances. When the re-upping of the price of gold -- or, which is the main thing, the printing of more dollar bills -- is resorted to, the threat to protectionism from the pound revaluation may be of secondary importance.

Two circumstances must be taken into consideration. First, the continued spending of more than is taken in in taxes. Senator Byrd, who is doing a lot of thinking on the subject, tells us that by 1952

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we will face a deficit of about $10 billion. He bases his figures, he says, on present commitments, not on expenditures still in the dream stage.

Government deficits are met with taxation, borrowing or manufactured money. An increase in taxes meets with constant resistance, in peacetime; the floating of a bond issue is difficult, but not impossible, what with the hold the government has on the banks and insurance companies. But bonds are undesirable in the long run because they create partners in the tax receipts. The quick way of making a clean profit is legalized counterfeiting.

The second circumstance that should hasten the arbitrary revaluation of gold is the deterioration of our general economy as the result of the spending spree. When at long last it becomes evident that rounds of wage increases do not improve the purchasing power of take-home pay, when the certainty of taxes offsets the possibility of a net return from enterprise, when, in short, it doesn't pay to produce, that thing called depression will be upon us. Following precedent, the consequent unemployment will call forth the improvisations of boondoggling, which in turn will increase the need of more money.

So then, deficits in being and deficits in the offing will combine with the effects of pound-devaluation to expedite the authorization of more money through the legal inflation of the gold price.

Even now there is somewhere in the pigeon-holes of Congress a bill for the raising of the price of gold from $35 to $55 an ounce. There is no pressing political need for its enactment at the present time and it will probably die a-borning. Significant, however, is the fact that foreign governments are strong for this measure. They argue that raising the price of gold will increase the value of their own stocks of the metal, thus giving their pegged money values a more reasonable semblance of reality; also, our "profit" by the transaction will enable us to help them out with bigger and better gratuities.

As far as you are concerned, this monetary twaddle simply means that the sandwich you once paid a dime for, and which now costs you a half-dollar, will set you back a buck. When? Only gamblers will venture to time political events.

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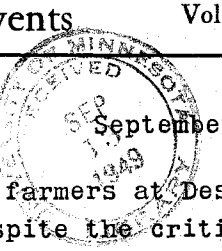
Not Merely Gossip *A Supplement to* Human Events Vol. VI, No. 36



By Frank C. Hanighen September 7, 1949

BRANNAN PLAN: We suspect that the President's address to the farmers at Des Moines on September 5 found great favor with his rural listeners, despite the criticism in the press. We have been doing some delving into the political aspects of the agricultural situation and come up with the conclusion that the Brannan Plan is much more popular and by way of becoming even more so on the prairies than outward signs indicate. The newspapers recently over-emphasized one of these signs when they reported that three of the four big farm organizations had gone on record opposing the Brannan scheme. And Congress has shown quite clearly its opposition. Consequently, many in the Capital have the superficial impression that the plan of the Secretary of Agriculture for "guaranteed incomes for farmers" has not caught on among its intended beneficiaries. Actually, the situation is quite different -- according to well-informed observers who have been making surveys at the "grass roots".

These observers concede that the hierarchy of the big farm organizations (with the exception of the Left Wing Farmers Union) actively fight the whole idea. But they noted that local leaders of these organizations have a tendency to dodge public discussion of the matter. Probing further down, these observers found a swelling tide of approval among the rank-and-file, and are convinced that no less than two-thirds of the farmers more or less approve of Brannan's proposal. The farmers are not, as yet, vociferously supporting it -- but that may well come, as the surpluses pile up and prices slip. Meanwhile, they hear their organization leaders label the plan "collectivist", and remain unimpressed. It is probable that many farmers, perhaps the majority, nodded agreement when the President cried, "We don't care what they call it."

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FINANCIAL CONFERENCE: A ghost hovered over the American-British-Canadian financial conference as it opened today. The specter was that of Malthus, but no public figure dared say so in the open. We talked to a Britisher, a financial expert, who was more candid, in private. What he said helped throw light on one story which received publicity as the meeting started -- that Britain might be permitted to spend Marshall Plan dollars anywhere it chose to do so. These dollars, of course, could be spent buying grain in Canada, wool in Australia, etc. But they could also be invested in developing parts of the Empire. And why this development? To support emigrants from the United Kingdom -- said our British informant. The fact is that every informed person in England dwells mournfully on one unhappy thought: that millions of Britishers must leave home if the country is to continue to exist. There are too many inhabitants in these days of closed economies and sluggish international trade. Formerly, England could support a large population on the old international system -- but not now.

During the past month, it was announced in the British press that the population of the United Kingdom had increased by two million since the end of the war. Few hosannas greeted this intelligence. Mr. Churchill almost but not quite blurted out the lesson. But neither the Socialist nor Conservative parties care to go into a general election with the stark promise of displacing a considerable portion of the electorate. Certainly it would be difficult for the Socialist Government to reconcile its blithe pledges of "pie in the sky" with any such suggestion. Besides,

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it is well realized that the export of several millions (at least) would involve much capital for the installation of the emigrants in African colonies, not to mention their transport. There is only one place they can get the money. Assuming that the United States provides the funds, such a transfer of people would undoubtedly ease the problems in the U.K. But, it would have one unfortunate effect: only the most enterprising and able individuals would choose to depart, leaving the inferior and apathetic to continue the hard struggle at home.

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TARIFFS AND PRICE SUPPORTS: There is no end to the contradictions in State Department policy. The mention of a tariff sends those functionaries into a veritable rage. Yet they seem completely unmoved by the words "crop support". Such an impression comes from the perusal, in the Congressional Record (August 2), of a debate on a bill proposing a price support on tung oil. This product is processed from tung nuts grown in states on the Gulf of Mexico littoral and is used in the manufacture of paint, as well as other industrial processes. Congressman Colmer of Mississippi, who introduced the bill, made this argument, among others, in its favor: "Mr. Speaker, as I said a moment ago, at least 80 per cent of the tung oil used in this country is imported from China. We are up against the proposition of competing with Chinese coolie labor; that is the answer to it. . . ." "Mr. Hays of Ohio. The gentleman apparently is basing his argument on protection from importation. We have the same problem in a lot of industries in Ohio where imported products are coming in from Communist countries and putting our own industries out of business; yet we passed by an overwhelming vote here an agreement [Reciprocal Trade Agreement] to let them come in. What about that?"

Mr. Colmer struggled to answer and finally came through frankly: "The question has been raised and will be raised no doubt during the debate on other remedies -- for instance, import duties. Obviously, if we had an import duty or a tariff on tung oil to protect our American farmers from the vicious competition with Chinese coolie labor, we would not need a support price; but we all know that the administration is sold on the reciprocal trade agreements and, in fact, favors free trade. We also know that, notwithstanding the fact that tung oil is the only oil that does not have an import duty on it, the administration is opposed to such a duty because of its desire to help China. I may say in this connection that more than four years ago I introduced a bill that would require an import duty of 5 cents a pound on tung oil imported into this country. I again introduced that bill at the beginning of this session, H.R. 30. I have discussed this matter with the officials of the State Department and other administration leaders, but always I have met with a rebuff; and you and I know that, in view of the philosophy of the present administration, there is no chance whatever of getting such a duty imposed. . . . Therefore, Mr. Speaker, I came to the conclusion many months ago that if we were to get any relief for this young industry we must do it in the form of a support price."

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EDUCATION: There has come to our desk in the past few days something which looks like treasure trove. For long we have sought some critical review of the textbooks and material used in public schools and colleges. Parents and students often make waspish comments on socialistic slanting of these materials, but there has been a lack of any serious attempt to appraise the values as well as defects thereof. Now, the Conference of American Small Business Organizations has a Committee on Education which has just launched a new quarterly publication to perform the mission, entitled The Educational Reviewer. The Consulting Staff is composed of Professors William Starr Myers, Lewis H. Haney and O. Glenn Saxon and the Secretary and Editor is Lucille Cardin Crain -- names which inspire confidence. The address is 112 East 36 Street, New York 16, New York.

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The first number, July 15, contains reviews of the following: The Beginnings of the American People and Nation, by Mary G. Kelty, given an endorsement by James T. Flynn of Fordham; American History 1492 to the Present Day, by Southworth and Southworth, approved by Dr. M. R. Madden; American Government, by Frank Abbott Magruder, which is severely criticized by Edna Lonigan; and Modern Economics, by Corbett and Colvin, also censured, by Hamilton Eames. The reviewers seem to address their tasks with fairness and candor.

The publication prefaces its first number with a "Declaration" which, inter alia, says the following: "The Educational Reviewer grew out of the concern of Americans as business men and fathers who, conscious of their responsibility in both capacities, became aware of the propaganda for collectivist doctrines their sons and daughters were absorbing in their schools. . . . The Educational Reviewer is not to be regarded as an attack on the academic world. It is intended, rather, as an aid to those numerous teachers who honestly wish to confront with objectivity and intellectual honesty the concealed theories of collectivism. If the Reviewer is to be slanted, however, it is to be biased in favor of both personal liberty and economic liberty, which are indivisible, and which are the basis of the American system. On that issue, the Reviewer will not be partisan or even bipartisan. It will rest its case on the premise that the encroachment of centralized political power upon the initiative of the individual and groups of individuals is the greatest threat both to liberty and material well-being. It will measure school and college materials by the criteria of liberty and responsibility, rather than by the currently voiced standards of 'rights and duties' to be parcelled out at the hands of bureaucrats. No one need be amazed, therefore, that these columns will reflect the views of believers in the American Constitutional system."

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TENNIS: We went to Forest Hills last week, for the first time in about 25 years, with the consequent shattering discovery that tennis, like other things, has changed with the times. The players now wear a much more sensible and comfortable garb. In 1920, say, anyone who might have ventured on the courts in shorts would have been led off by uniformed attendants. Now all appear in bare knees, and undershirts, too; and heavy rubber-soled shoes, which must be easier than the spiked leather slippers used on grass courts in times of yore. The game today is better balanced; the strokes of each player are of high, but even quality. In the days of World War I and its aftermath, specialists bestrode the courts: Maurice McLaughlin with his cannon-ball service and little else; Wallace Johnson, the chop-stroke artist; R. Norris Williams who enchanted the galleries with an extraordinarily beautiful backhand drive. The latter, incidentally, seems to have disappeared; today every player in the semi-finals had a good, accurate under-cut backhand.

This spectator found the "all round" style rather monotonous, uniform, stereotyped -- as if the players all learned the game from the same coach. And their comparative phlegm reinforced the impression. The champion, Gonzalez, it is true, uncovered some temperament momentarily, but both he and Schroeder seemed figures of lassitude and indifference compared with what used to be seen at National Championships. Lindley Murray and George M. Church, in the Wilsonian era, were "redheaded", and physically overflowing with energy. Our mind's eye reflects a picture of Church between strokes, keeping limber by prancing like a sprinter. And there was Billy Johnston, poised anxiously on his toes; Tilden, purposeful and tense; and even Watson Washburn -- regarded as a "dead-pan", cool and calculating racket-wielder -- was (as we recall it) a mountain of energy compared with Frank Parker and Talbert today. Maybe our memory plays us false, but that's our impression. And maybe we draw too long a bow in generalizing; but we do think that tennis today resembles other things in that it has lost much of its vigor and originality and color.

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Book Events

John C. Calhoun: Nullifier, by Charles M. Wiltse. Indianapolis: The Bobbs-Merrill Company. $6.00. Reviewed by Felix Morley.

There is growing realization that plain academic incompetence is in part responsible for the present decline of faith in the American system of government. A part of the indictment is the fact that the important political biographies are not being written by the college professors. The significant research in this field, on the contrary, is by men with less leisure and less disposition to acclaim themselves as "scholars". What these biographers lack in pedantry, however, they supply by accurate understanding of politics and politicians.

Thus, among the notable biographies of recent issue, we have the Washington of Douglas Freeman, himself a famous editor; we have the Madison of Irving Brant, another newspaper man; we have the Jefferson of Dumas Malone, who quit teaching to become a publisher; and there is now at hand the second volume of Calhoun's life by Charles M. Wiltse, who started as a reporter but who now works for the Federal Government in Washington.

In this quartet, the contribution of Mr. Wiltse is in many respects the most important; which is high but justifiable praise. Of course the value of his work on Calhoun is partly due to our relative ignorance of the great Southern statesman. But in bringing the often dogmatic Nullifier back to life, Mr. Wiltse has also done that service which is the hallmark of the good historian. He has shown the reader both the background and the roots of present-day political problems, though always by implication and with no deviation from the narrow path of honest scholarship.

Thus the second volume of this Calhoun biography, covering the critical decade from 1829-1839, will give the reader a far better understanding of the stalemate in the 81st Congress, and of the intellectual strength behind the revival of the State's Rights movement, even though one looks in vain through Mr. Wiltse's comprehensive index for such names as Truman, McGrath, Thurmond, Russell, Byrd, or George.

No historical parallels are drawn, but one can scarcely avoid thinking of the "Civil Rights" advocates when Mr. Wiltse recalls Abolitionist fanaticism during the 1830s. Similarly, the striking resemblances between the political tactics of Andrew Jackson and those of Franklin Roosevelt leap from Mr. Wiltse's pages. Van Buren, as successor to Jackson, inherited political problems in many fundamentals similar to those confronting Truman as heir to F.D.R.

But comparisons fail when one scans the present-day Senate for a replica of John C. Calhoun. Senator Taft offers some similarities -- of brilliant leadership, complete integrity and deep desire to solve national issues within the Constitutional framework. And Calhoun's activities also in certain respects bring Senator Byrd to mind. In other ways, however, Calhoun was incomparable, if only because he had to measure his abilities against giants like Clay and Webster.

It was time for a sympathetic biographer to rescue Calhoun from the avalanche of tendentious smearing under which his name has long been buried. In Mr. Wiltse's own words: "He seemed to me the most original and in many respects the keenest political thinker this country has produced, but few people had ever heard of him except as a defender of slavery . . . Being of good Yankee stock, and brought up accordingly, I was a little surprised myself to discover that he didn't wear horns."

The decornification of Calhoun is accomplished with refreshing good humor and admirable literary skill in this second volume of a great biography -- its predecessor, John C. Calhoun: Nationalist, was published in 1944. One hopes that another five years will not have to elapse before the third and final part of the contemplated trilogy is at hand. No service that Mr. Wiltse may render to the Federal bureaucracy can be of as much value to his country as this reappraisal of the great Senator who successfully defied a President with these glowing words: "I, as a legislator, have a right to investigate and pronounce upon his conduct, and to condemn his acts freely, whenever I consider them to be in violation of the laws and of the Constitution. I, as a Senator, may judge him; he can never judge me."

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